

COP27 - HIGHLIGHTS

“Together for Implementation”

Friday, November 18th concluded the 27th session of the Conference of Parties to the United Nations Framework Convention on Climate Change—otherwise known as COP27. This annual meeting brings together nearly 200 parties to assess the progress that has been made in achieving global climate targets and calls for countries to increase their ambition in their NDCs.

Benjamin Camus, Director of Corporate Environmental Solutions had the opportunity to represent Evolution Markets at this year’s COP27 event in Sharm El Sheikh, Egypt.

According to the UNFCCC, “COP27 brought together more than 45,000 participants to share ideas, solutions, and build partnerships and coalitions. Indigenous peoples, local communities, cities, and civil society, including youth and children, showcased how they are addressing climate change and shared how it impacts their lives.”¹

Climate finance was a key part of COP27. In the final days of negotiations, wealthy nations agreed to establish a dedicated “Loss and Damage²” fund for vulnerable countries harmed by climate change. The loss and damage fund is just the sixth special fund to be created in the United Nations’ 30-year history of tackling climate change. Nations last agreed to set up the \$100 billion Green Climate Fund in 2010.³

ARTICLE 6 AND CARBON MARKETS

The purpose of Article 6 of the Paris Agreement is to support countries in their cooperation to reach their climate targets and objectives.

Article 6.2⁴ allows a country to pay for an emissions reduction in another country and count it towards its own net zero goal. During COP27, Ghana and Switzerland authorized the first International Transferred Mitigation Outcome (ITMO) under this article.

Dirk Forrister, President and CEO of International Emissions Trading Association (IETA) said, “The text provide key elements to implement high-integrity carbon markets that can help deliver net-zero ambitions for all countries. We expect further decisions at COP28 and beyond.”

“Negotiators outlined the broad framework for a new global carbon trading scheme in Glasgow. In Sharm el-Sheikh, they filled in some details.

The text creates a two-tier carbon market, applying different rules depending on who buys the credits and for what purpose.

The Glasgow Pact banned double counting: if one country buys an emission credit from another to use towards its target, the host country needs to make an accounting adjustment. This also applies to international compliance markets such as aviation’s trading scheme CORSIA.

In the new second-tier market, carbon credits are called “mitigation contributions”. A company can buy a credit from another country and the host does not need to tweak its emissions inventory.

While the name suggests the buyer should not use these credits to offset their own emissions, there is nothing to stop them. Campaigners warn this opens the door to double claiming and corporate greenwashing of net zero pledges.

A technical body made recommendations on how to define “removals” – sucking carbon dioxide out of the air – for trading purposes. Many of the options involve untested or controversial processes and negotiators sent the recommendations back for further work. Regarding bilateral carbon trades between countries, the text allows governments to designate any information about the exchange as confidential.

Experts have raised concerns this could allow shady deals to go unchecked and make accountability toothless⁵”.

SIDE TOPICS

According to UNFCCC¹ the conference heard many announcements:

- Countries launched a package of 25 new collaborative actions in five key areas: power, road transport, steel, hydrogen and agriculture.
- UN Secretary-General António Guterres announced a USD 3.1 billion plan to ensure everyone on the planet is protected by early warning systems within the next five years.
- The UN Secretary-General’s High-Level Expert Group on Net-Zero Commitments published a report at COP27, serving as a how-to guide to ensure credible, accountable net-zero pledges by industry, financial institutions, cities and regions.
- The G7 and the V20 (‘the Vulnerable Twenty’) launched the Global Shield against Climate Risks, with new commitments of over USD 200 million as initial funding. Implementation is to start immediately in a range of pathfinder countries.

- Announcing a total of USD 105.6 million in new funding, Denmark, Finland, Germany, Ireland, Slovenia, Sweden, Switzerland, and the Walloon Region of Belgium, stressed the need for even more support for the Global Environment Facility funds targeting the immediate climate adaptation needs of low-lying and low-income states.
- The new Indonesia Just Energy Transition Partnership, announced at the G20 Summit held in parallel with COP27, will mobilize USD 20 billion over the next three to five years to accelerate a just energy transition.
- Important progress was made on forest protection with the launch of the Forest and Climate Leaders' Partnership, which aims to unite action by governments, businesses, and community leaders to halt forest loss and land degradation by 2030.

For more information about our services, please contact Corporate Environmental Solutions at corpsolutions@evomarkets.com.

¹ <https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries>

² <https://unfccc.int/topics/adaptation-and-resilience/the-big-picture/introduction-to-loss-and-damage>

³ <https://grist.org/cop27/inside-the-cop27-fight-to-get-wealthy-nations-to-pay-climate-reparations/>

⁴ https://unfccc.int/sites/default/files/english_paris_agreement.pdf

⁵ <https://climatechangenews.com/2022/11/20/what-was-decided-at-cop27-climate-talks-in-sharm-el-sheikh/>